




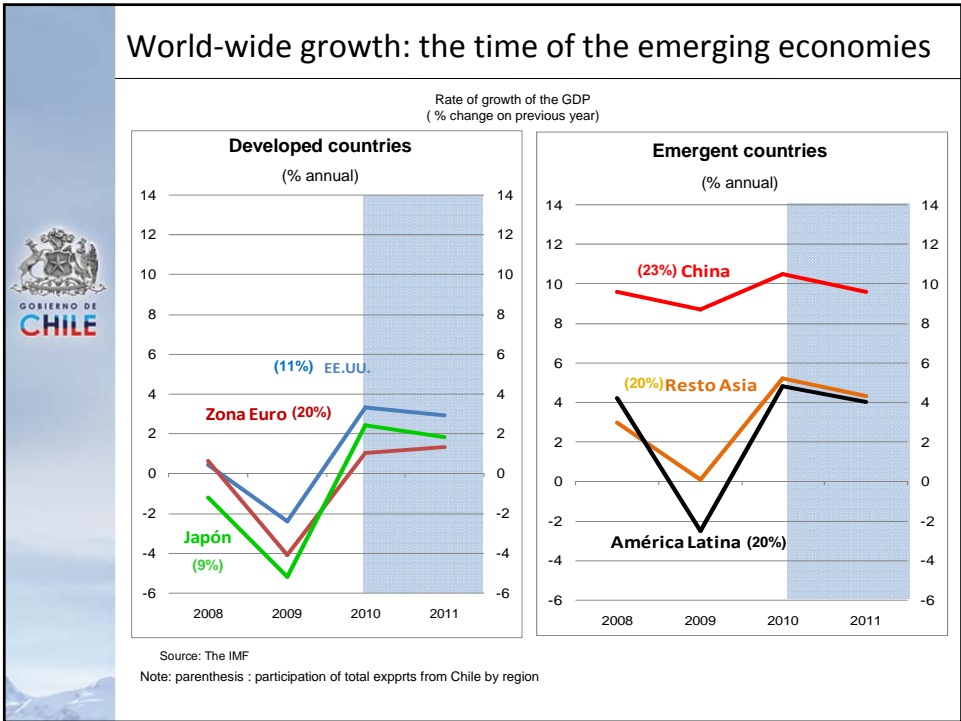
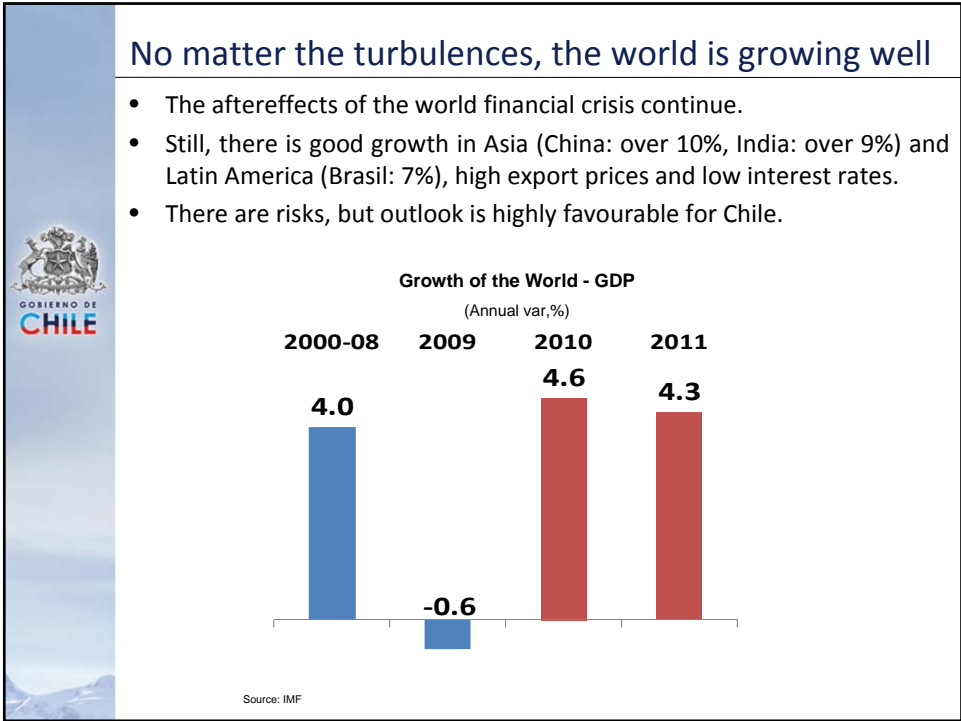
**GOBIERNO DE
CHILE**

*Stepping on the Accelerator: Our Opportunity for
Development*
Seminar for Entrepreneurs Chile-India
Tomás Flores
Vice Minister of Economy
8th September 2010



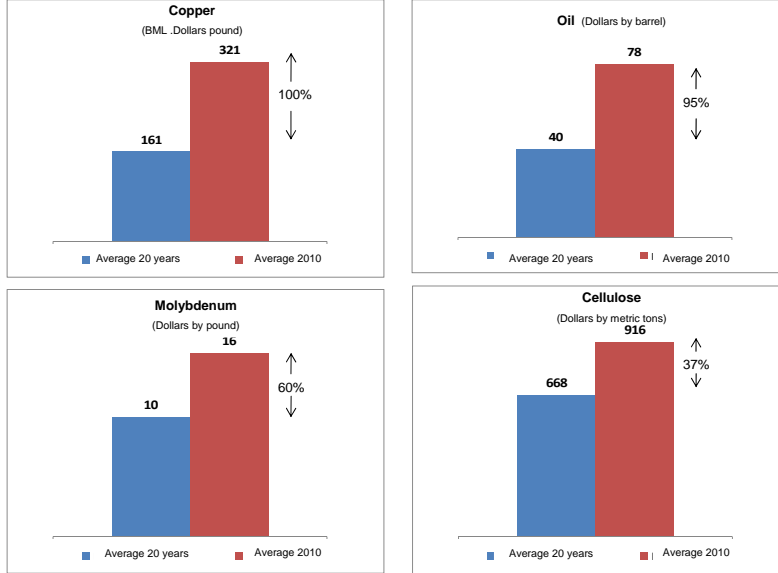
**GOBIERNO DE
CHILE**

World: Cyclical upturn for Chile



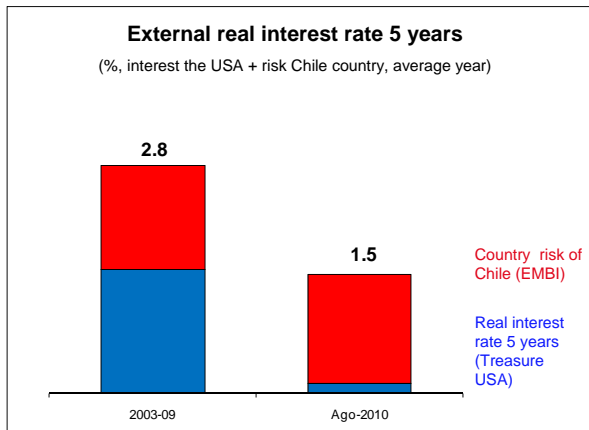
High prices support our exports

Average prices in US\$ as of August 2010



Foreign borrowings: moderate

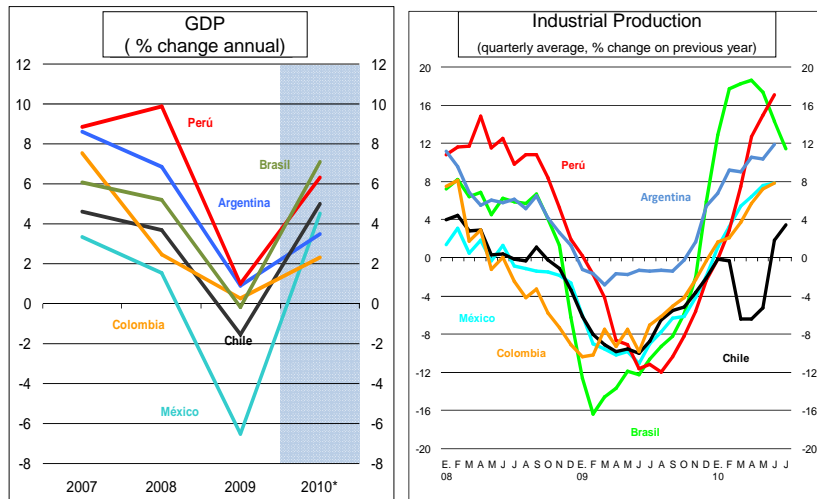
- In spite of increased fear of risk adversity, cost of long term credit, both in Chile and worldwide, has been reduced due to lower interest rates on U.S. Treasury bond.





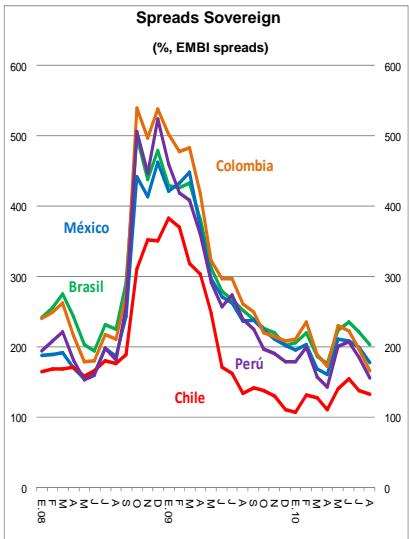
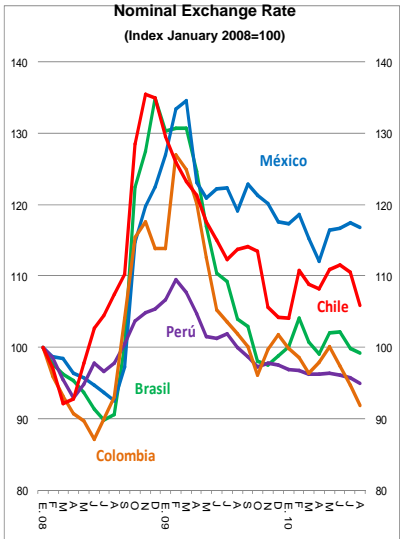
Latin American take off: Real, this time?

Latin America: parallel cycles



Source: FMI

Latin America: connected markets



Source: JP Morgan B. Central



Economic relation between Chile - India

Relation of Chile with India



- Of the industrial exports, a 0,4% go to India.
- Of the farming and forestry exports, a 0,3% are destined to the Asian region.
- 0,7% Chilean import a 0,7% of come from India.
- Trade Agreement exists as of 2007, which, does not contemplate quotas by product.
- Pending task: to increase economic integration between our countries.



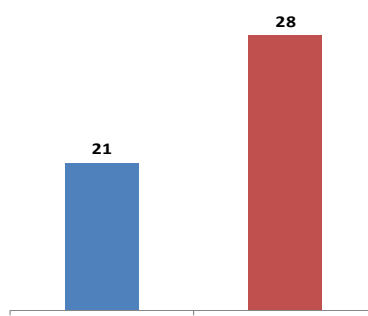
How to jump fowards development?

Chile needs more investment

- Goal: to reach rate of investment equivalent to 28% of our GDP towards 2014.
- The good news: there are projects for more than US\$ 70 billions in folder.



Investment
(rate % on the GIP current prices)



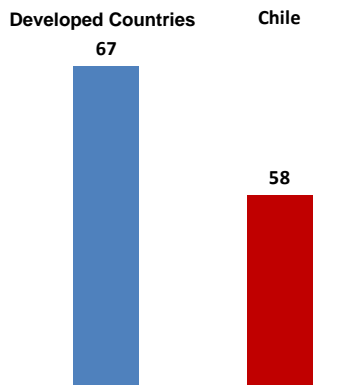
Source: Chilean Central Bank

Chile needs more people working

- Goal: to create a million jobs between 2009 and 2014.
- Chile shows a very low rate of labor participation of young people and women in comparison to developed countries.



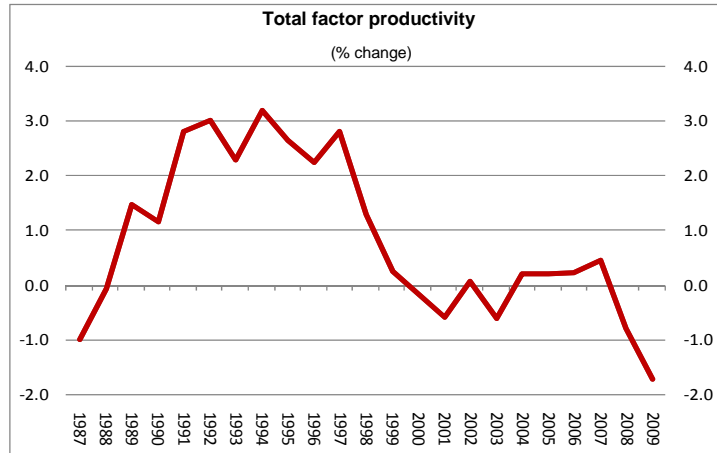
Rate of participation
(%, employed on 15-64 population, 2008)



Source: OECD

Productivity: pending task

- Growth of the productivity has fallen over the last 12 years.



Entrepreneurship and Innovación:
The engine of productivity

Against “Bureaucracy”




- Simplification of Internal Revenue Services and local government steps to create a company: a reform of law procedures in Congress.
- Establish a very simple system to create a company.
- About the life of the company: labor regulation, getting financial support.
- To facilitate the closing of the companies: a new bankruptcy law.

Support to SMEs




- SME law: measurement of the impact of new regulations.
- Reduction of the tax on credits from 1.2% to 0.6%.
- Tax incentive: exemption of the tax on profits reinvested by the companies with sales lower than US\$ 2 million. Favourable to 600,000 SMEs.
- To improve the access to the financial market for new entrepreneurs.



Goal: to duplicate the investment in R&D as a percentage of GDP

- New methodology reveals that investment in R&D is equivalent to 0.4% of GDP.
- Goal is to duplicate that rate to the 2018.
- Strategy of innovation will privilege the private investment in R&D with a new tax incentive.



Concluding...

- In spite of recent turbulences, the world-wide economy has turned upside down to our favor: good growth, high prices of exports, low interest rates.
- Internal macroeconomic scenario is solid: almost zero fiscal debt, external surplus and inflation under control.
- A wave of new entrepreneurs is rising.
- Chile has a real opportunity to be the first Latin American country to reach development.

